



## TESTIMONY ON BEHALF OF THE MARYLAND MEDICAL DISPENSARY ASSOCIATION

Senate Bill 516—Cannabis Reform  
**SUPPORT with AMENDMENTS**  
Senate Finance Committee  
March 9, 2023

The Maryland Medical Dispensary Association (MDMDA) was established in May, 2017 in order to promote the common interests and goals of the Medical Cannabis Dispensaries in Maryland. MDMDA advocates for laws, regulations and public policies that foster a healthy, professional and secure medical cannabis industry in the State. MDMDA works on the State and local level to advance the interests of licensed dispensaries as well as to provide a forum for the exchange of information in the Medical Cannabis Industry.

The MDMDA has consistently supported legislation that legalizes cannabis for adult use in a way that continues to increase diversity in the cannabis industry while at the same time setting up a taxing structure so as to greatly minimize the illicit market in Maryland. We appreciate Senator Feldman and Senator Hayes' commitment to these goals as outlined in Senate Bill 516. We respectfully request consideration of the following:

### **Micro-dispensaries**

The MDMDA has concerns and a number of questions related to the micro-dispensary licenses (page 37, lines 17-20). While we understand that, as defined, they will not have a physical space (non-storefront), will they be allowed to have warehouse/storage space? If so, this would make it very hard for any of the small, brick and mortar dispensaries—converted or new standard licenses-- to compete. Are they able to use independent contractors, over and above the ten-employee limit? Are there limitations on the amount of product any vehicle can carry at one time? Are they allowed to deliver cannabis 24/7 and can they deliver statewide? Will they be able to sell at pop up events that are broken down at the end of the night? We believe more thought should be given to these and other issues prior to awarding this particular licensing category. Therefore, we would request the General Assembly consider a pilot program with a much smaller number of licenses prior to issuing these micro-dispensary licenses.

### **Delivery**

Currently licensed dispensaries are allowed to deliver medical cannabis. While all of them do not deliver, some do, and they do so safely, adhering to all regulations related to delivery services. We would request that all converted dispensaries be allowed to continue delivery.

### **Issuing New Licenses**

After the first round of new licenses are issued and before a second round is contemplated, we would request an assessment be done in order to ensure first round licenses have had adequate time to open and be established and that there is adequate demand for more licenses. Our shared goal is to make sure new licensees have an opportunity to be successful. Therefore, we want to make sure they have time to establish their business and that the number of licenses does not exceed demand.

### **Ownership Caps**

MDMDA has been on record consistently voicing concerns about consolidation in Maryland's industry and protecting and supporting independent, Maryland-owned licensees. What can appear to be a small change in ownership caps can have huge impacts on the market. If the General Assembly decides to amend the ownership cap proposed in Senate Bill 516, we would urge going no higher than the FOUR dispensaries per license holder already allowed in current law.

### **County Based Licenses**

This bill proposes that each dispensary would be assigned to the county in which they are located instead of to the senatorial district to which they were originally assigned. However, grower dispensaries still have the ability to move and locate anywhere in the state while all other dispensaries can only move around in the county to which they are assigned. In order to create parity amongst all dispensaries, we respectfully request that all grower dispensaries be limited to the County in which they are located on January 1, 2023.

The geographic spread of dispensaries across the state is one of the most important considerations to a county-based licensing system. Currently, there are areas of the state with high concentrations of dispensaries and areas that are underserved. We urge amendments that would clarify that the intent of the bill is to ensure underserved areas of the state do have dispensaries open in those areas, while also discouraging further high concentration areas.

### **Moratorium**

The bill establishes a five-year moratorium whereby licensees are not able to sell or transfer ownership of their license for five years (page 57, lines 4-7). All existing licenses are already subject to a three-year moratorium as a result of House Bill 2 that passed a number of years ago. We would request converted licenses be exempt from this moratorium language. If the General Assembly wants to include moratorium language in the bill for all licensees, we would request it be lowered from FIVE to TWO years.

### **Conversion Fees/Licensing Fees**

The conversion fees proposed for dispensaries in the bill is quite high (page 42, lines 12-25). Even with the state 280e fix that passed last year, the tax liability for dispensaries is enormous. Right now, some dispensaries are still unable to pay their licensing fee for the medical program (\$40,000 annually) without breaking it into installments. And even then, many are having to get loans. We would request consideration of three things:

- Allow conversion fees and licensee fees be paid in installments. While we appreciate the 18 months allowed in House Bill 556 as amended, we would still request a longer period of time unless the amount of the conversion fee is to be decreased.
- If the Committee decides to use a scale like the one proposed in the bill, we would urge the use 'total sales' data from METRC to compute conversion fees for dispensaries as opposed to 'gross revenue.' This number is an easily verifiable number for both the regulator and licensees.

- If the Committee decides to use a scale like the one proposed in the bill, consider changing the range of the conversion fees such that they would be broken down in \$2.5 million ranges after the initial under \$1 million in revenue. This could help ease the burden on lower revenue dispensaries.
- On page 43, lines 13-17, the legislation proposes a renewal fee that is not to exceed 10 percent of the licensee's annual gross revenue. It needs to be clarified that this renewal fee is not due at the same time of the conversion fee but rather upon license renewal, which is five years later.

### **Adequate Supply of Product**

On page 54 (lines 25-28) and 55 (lines 1-2) of the bill, dispensaries are required to ensure adequate supply of product for medical patients. The bill stipulates that dispensaries must “set aside operating hours to serve only qualifying patients and caregivers.” We would request that additional options be provided here to give dispensaries flexibility in how they decide to prioritize medical patients and caregivers. We would suggest adding “ESTABLISH AN EXPRESS LANE FOR MEDICAL PATIENTS AND CAREGIVERS OR ESTABLISH AN EXPRESS CHECK-IN FOR MEDICAL PATIENTS AND CAREGIVERS.” Express lines for medical patients have been established with great success in many states, including Massachusetts. Also, we urge inclusion of language recognizing that adequate supply can only be maintained at a dispensary if adequate supply at reasonable pricing is available in the market, and that it is a shared responsibility among all license types, not just dispensaries, to ensure medical patient access.

### **Advertising**

We would request simply carrying over the advertising requirements from the medical program, adjusting them to accommodate the adult use program.

In addition, we want to draw specific attention to the language appearing on page 65, lines 16-19. This language would prohibit dispensaries and other licensees from having a sign on the outside of their business. We would, again, request that the advertising language currently in state statute (Section 13-3313.1) be adopted instead of what appears in Senate Bill 516. Specifically, we would like to see the following language adopted: THIS SUBSECTION DOES NOT APPLY TO AN ADVERTISEMENT PLACED ON PROPERTY OWNED OR LEASED BY A DISPENSARY, GROWER OR PROCESSOR. This would ensure that dispensaries and other legal businesses could have signage on their property.

### **Home Grow**

Since Senate Bill 516 allows home grow, we request language be added to the bill allowing dispensaries to sell seeds, clones and cuttings. Patients and consumers are used to purchasing products from dispensaries, so we believe allowing this makes sense.

### **Delta 8**

Last year, MDMDA strongly supported Senate Bill 788/House Bill 1078. This bill essentially would have required that delta-8 products be regulated and tested in the same way as all other medical cannabis products. Companies across the country are exploiting a loophole in the federal 2018 Farm Bill. Delta 8 products contain THC derived from hemp plants. The federal loophole has been interpreted by purveyors of these products as allowing them as “hemp-derived products.” To be clear – the delta-8 products at issue contain the same THC as products regulated as medical cannabis. They are psychoactive, intoxicating products that are being sold outside of any testing or regulatory structure. Therefore, we applaud the bill sponsors for including language in the bill to address this issue. All intoxicating products should be tested and regulated in the same manner.

### **Ownership/control language**

We appreciate the language in the bill related to ownership and control of licenses. We have always advocated for strong language that minimizes the possibility of skirting the law with regard to ownership caps.

### **Onsite Consumption Lounges—Licenses**

As drafted, Senate Bill 516 allows onsite consumption lounges to sell cannabis products. This further adds to the number of retail licenses/retail locations in Maryland. This should be taken into consideration as you deliberate on overall dispensary license caps. With that, MDMDA has two requests with regard to consumption lounges:

Current dispensaries should be eligible to apply for an onsite consumption lounge. Currently, they are prohibited from doing so in Senate Bill 516. Dispensaries already have experience with cannabis products, and-already have an understanding about how to safely store, handle and sell products and already have staff trained to recognize and handle intoxication and substance use disorders.

In addition, the bill allows local jurisdictions the ability to ban smoking and vaping at onsite consumption lounges. Many people, especially renters, are not allowed to smoke or vape in their place of residence. Onsite consumption, lounges, then, provide for them a place to do that. We would respectfully request this language be amended out of the bill.

Lastly, the House Economic Matters Committee alters the definition of ‘dispensary’ such that they remove ‘repackages’ (page 22, line 12). We are strongly opposed to this change. This has been a part of the definition since the inception of the medical program, and dispensaries have developed and follow standard operating procedures related to repackaging. We would respectfully request this practice be maintained. Dispensaries are able to do it safely, and patients appreciate the flexibility repackaging allows.

We greatly appreciate the opportunity to provide comments on this important issue. We appreciate the work Senator Feldman and Senator Hayes have put into this, and we look forward to continuing to work with them as well as the members of the Senate Finance Committee and Senate Budget and Taxation Committee as you deliberate further on this legislation.